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SIPDIS

STATE FOR NP (FENSTERMACHER); EAP/MLS
NSC FOR HOLLY MORROW
USDOE FOR NNSA/NA-1 (BROOKS); NNSA/NA-20 (TOBEY, BAKER);
NNSA/NA-21 (BIENIAWSKI, CUMMINS, DICKERSON)

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: ENRG TRGY KIPR KNNP KGIT VM
SUBJECT: MFA SIGNALS APPROVAL ON REACTOR FUEL CONVERSION PROPOSAL, BUT NO CONFIRMATION YET

THIS CABLE IS SENSITIVE BUT UNCLASSIFIED.

Ref: Hanoi 2734

¶1. (SBU) Summary. On October 26, 2006, Department of Energy's National Nuclear Security Administration (NNSA) staff and ESTHOff discussed with Ministry of Foreign Affairs (MFA) staff details of NNSA Assistant Deputy Administrator (ADA) Andrew Bieniawski's letter to Assistant Minister of Foreign Affairs Phan Binh Minh, which was delivered to MFA on October 25. ADA Bieniawski's letter summarizes the USG's proposal to the Government of Vietnam (GVN) to swap-out high-enriched uranium (HEU) fuel in the Dalat reactor, convert the reactor to low-enriched uranium (LEU) fuel and return Russian-origin spent HEU back to Russia. During the meeting, MFA Acting Director of International Organizations Le Hoai Trung stated that the MFA attaches "great importance" to the issue and is "committed" to recommending that the Ministry of Science and Technology (MOST) approve the USG proposal, "sooner rather than later." In a follow-up discussion on November 2, MFA Americas Department Deputy Director Le Chi Dung indicated to ESTHOff that MFA and MOST are now on the same page, that an approval letter from the Office of the Prime Minister may come as soon as early next week and that "it is almost a done deal." Comment: Until we receive a written response from MFA to ADA Bieniawski's letter, we cannot be sure that the strong, positive language expressed by these MFA senior officials signals a breakthrough on the issue. End summary.

ADA Bieniawski's Meeting with MFA on the Reactor Conversion

¶2. (SBU) As previously reported (reftel), the Department of Energy's National Nuclear Security Administration Assistant Deputy Administrator Andrew Bieniawski met Assistant Minister of Foreign Affairs Pham Binh Minh on October 24, 2006, to continue engagement with the GVN regarding the fuel conversion of Vietnam's research reactor and to reiterate at higher levels within the GVN the importance of showing a tangible commitment on this issue prior to President Bush's visit in November. In that meeting, ADA Bieniawski offered to provide MFA with a letter containing specific details of the proposed USG assistance under the Russian Research Reactor Fuel Return (RRRFR) program to the GVN. The letter was transmitted to MFA by facsimile on October 25. Text of letter follows.

ADA Bieniawski's Letter to MFA Assistant Minister Minh

¶3. (SBU) Begin Text.

October 25, 2006

Mr. Pham Binh Minh
Assistant Minister
Ministry of Foreign Affairs
1 Ton That Dam
Hanoi, Vietnam

Dear Assistant Minister Minh:

I would like to take this opportunity to thank you for your government's continuing commitment to nuclear nonproliferation which has contributed greatly to the security of our countries and the world community. The purpose of this letter is to clearly summarize the status of several proposed nonproliferation projects and to specify the benefits of these programs to the Government of Vietnam.

Return of Russian-origin fresh highly enriched uranium (HEU):

First, we would like to receive final approval from the Prime Minister's office to repatriate Russian-origin fresh HEU fuel that is currently in storage at the Dalat Research reactor. Currently, there are 36 assemblies at the Dalat Research reactor containing 4.3 kilograms of highly enriched uranium. Our proposal is to return this Russian-origin fresh HEU fuel as part of the very successful Russian Research Reactor Fuel Return program. This program is under the framework of the International Atomic Energy Agency and numerous countries are participating under this program to repatriate Russian-origin fresh and spent fuel to Russia. To date, we have safely and successfully conducted ten shipments from eight countries (Yugoslavia, Romania, Bulgaria, Libya, Uzbekistan, the Czech Republic, Latvia, and Poland) to repatriate their Russian-origin fresh HEU fuel. The only countries that have Russian-origin fresh HEU fuel that have not yet agreed to participate are Belarus, DPRK,

Ukraine, and Vietnam. We are in discussions with Belarus and Ukraine to return their Russian-origin fresh HEU fuel and expect to reach agreement soon with them. Thus, we very much would like Vietnam to be a participant in this program.

It is also important to note that since the fresh HEU fuel shipment is conducted under the auspices of the IAEA, no government-to-government agreement is required to move forward with the shipment. As has been done with numerous other countries, a contract would be signed between the IAEA, the Russian transportation company Sosny, and the relevant nuclear agency in each country (in the case of Vietnam this would be with VAEC).

Our compensation package is the following:

First, the U.S. Department of Energy will cover all costs associated with packaging, licensing, and transportation of the fresh HEU fuel to Russia. Specifically, through an IAEA contract, the Russian Federation will be paid approximately $550,000 and VAEC will be paid approximately $50,000. The $50,000 will cover Vietnamese costs for preparation, packaging, and transportation of the fresh HEU fuel to the airport.

Second, in exchange for Vietnam agreeing to return the 36 fresh HEU assemblies, the U.S. Government will provide full compensation to Vietnam for the value of this material. As noted above, the 36 assemblies of Russian-origin fresh HEU fuel contain 4.3 kilograms of HEU, which is 1.45 kilograms of U-235. Normally, our standard compensation package is equivalent replacement based on U-235 (1 gram of U-235 of HEU should be replaced by 1 gram of U-235 of LEU). Thus, the package should be 1.45 kilograms of U-235 of LEU, totaling 33 assemblies. However, I have authorized that the compensation package be increased so Vietnam will receive compensation totaling 1.8 kilograms of U-235 (not just 1.45 kilograms of U-235) which is equal to 36 assemblies of LEU. This increased quantity of LEU will ensure that the Dalat research reactor will operate for an additional 4 years. Originally, with an HEU core, the reactor would operate for 10.5 years. With the new 36 LEU replacement assemblies, the reactor can now operate for 14.1 years.

Also, in our meeting with you on October 24, 2006, you asked me to consider additional projects that could be conducted that would be beneficial to Vietnam. I have given this careful consideration and I am willing to authorize an additional $500,000 over a two-year period to conduct joint scientific research at the Dalat research reactor. This would be new funding through an IAEA contract with VAEC.

Thus, we are waiting your final decision to move forward with the return of Russian-origin fresh HEU fuel. As you can see, this would be beneficial to the Government of Vietnam and ensure that Vietnam is joining the rest of the international community in returning this fuel. As I discussed with representatives from the White House, we would like this decision to be included in the proposed Joint Statement in November as a concrete example of U.S. and Vietnamese expanded cooperation on nuclear nonproliferation.

Conversion of the Dalat Research Reactor from HEU to LEU:

Second, we would also like to receive final approval from the Prime Minister's office to move forward with conversion of the Dalat Research Reactor. As I mentioned to you in our meeting, conversion of research reactors from the use of HEU to LEU is highly encouraged by the IAEA and its Members States. There are 106 research reactors around the world that can currently convert from the use of HEU to LEU. This is part of the IAEA's global effort to minimize the use of highly enriched uranium in civilian nuclear applications around the world while at the same time ensuring that research reactors continue to operate on low enriched uranium. To date, 46 out of the 106 research reactors have already converted to LEU fuel. This include 13 research reactors in the United States, 2 research reactors in Libya, and research reactors located in the Czech Republic, Pakistan, Iran, Taiwan, and Turkey to name a few countries. Discussions are underway with many other countries to convert the full 106 research reactors from the use of HEU to LEU.

As noted above, we have developed a generous compensation package for Vietnam to provide 36 assemblies of replacement LEU fuel that would be used to begin conversion of the Dalat research reactor. We have prepared a draft contract that would be signed between VAEC, the Russian Fuel Fabricator TVEL, and DOE. This contract has a value of approximately $1.1 million which is the cost to pay the Russians to fabricate and deliver the replacement LEU fuel. Thus,

by agreeing to convert, Vietnam is in essence receiving LEU fuel worth over $1 million. It is also important to note that no government-to-government agreement is required to move forward with this project.

Under this proposed approach, we would ensure the timely supply of LEU fuel to the Dalat Research Reactor and the uninterrupted operation of the Dalat Research Reactor. Also, we have conducted extensive technical studies with your experts to ensure the safe operation of the Dalat Research Reactor using LEU. Several technical experts from the Dalat Research Reactor visited the Argonne National Laboratory in 2005 to work on research reactor conversion calculations. Based on the results of these calculations, which were presented to the Ministry of Science and Technology in December last year, your technical experts have confirmed that there are no technical issues remaining that need to be addressed. Thus, we are waiting your final decision to move forward with the conversion of the Dalat Research Reactor from the use of HEU to LEU fuel. As you can see, this would be beneficial to the Government of Vietnam and ensure that Vietnam is joining the rest of the international community in converting its research reactor. As I discussed with representatives from the White House, we would like this decision to be included in the proposed Joint Statement in November as a concrete example of U.S. and Vietnamese expanded cooperation on nuclear nonproliferation.

Return of Russian-origin spent highly enriched uranium (HEU):

We also would like to reach agreement with the Government of Vietnam to repatriate the Russian-origin spent HEU fuel to Russia. There are 104 spent HEU fuel assemblies that are currently in the core of

the Dalat research reactor that are eligible to be returned to Russia. In order to complete the spent fuel shipment, the U.S. and Vietnam will need to conclude an appropriate Government-to-Government Agreement. As you know, in December 2004, and again in April 2006, the U.S. tabled a proposed agreement for a broad range of nonproliferation assistance, together with an Implementing Agreement between DOE and MOST for bilateral fuel return cooperation. We recently received your diplomatic note #424 and therefore we do not expect to reach agreement on this issue before the Presidential visit. However, conclusion of a Government-to-Government Agreement is required in order to enable the U.S. to provide assistance with the proposed spent fuel shipment. We are willing to pursue either the currently proposed Nonproliferation Assistance Agreement or alternatively an Agreement limited to the spent fuel return.

In conclusion, I would to thank you once again for a very productive meeting on October 24, 2006. As is noted above, we are waiting for final approval from the Prime Minister's office to move forward with both repatriation of the Russian-origin fresh HEU fuel and conversion of the Dalat Research Reactor from the use of HEU to LEU fuel. I hope this letter will facilitate this decision so both of these items can be included as part of the Presidential Joint Statement in November.

Sincerely,

(signed)

Andrew Bieniawski
Deputy Assistant Secretary for Global Threat Reduction
National Nuclear Security Administration
U.S. Department of Energy

cc: Dr. Le Dinh Tien, Vice-Minister, MOST
Dr. Vuong Huu Tan, Chairman, VAEC
Dr. Nguyen Nhi Dien, Director, DNRR
Mr. Le Hoai Trung, Acting Director, Department of International Organizations, Ministry of Foreign Affairs

End text.

Follow-up Discussions with MFA

¶4. (SBU) On October 26, 2006, NNSA staff and ESTHOff met with MFA International Organizations Department Acting Director Le Hoai Trung to discuss details of ADA Bieniawski's letter, which was delivered to MFA on October 25. Mr. Trung stated that the MFA attaches "great importance" to the issue and is "committed" to recommending that MOST approve the USG proposal, "sooner rather than later." More specifically, Mr. Trung indicated that a senior MFA official would

send ADA Bieniawski's letter to MOST, copying the Office of the Prime Minister and recommending that MOST move forward on the proposal without delay.

¶5. (SBU) Mr. Trung asked specific, detailed questions about the "mixed core" conversion and the tripartite framework under the IAEC contract, both of which were answered by the NNSA team with precision. Mr. Trung requested that any future contractual arrangement to return spent Russian-origin fuel be done by "the simplest type of agreement." NNSA legal counsel noted that any future agreement on spent fuels needs to be government-to-government, due to liability issues. Counsel explained that such an agreement could be conducted through an exchange of diplomatic notes. This would be done in lieu of signing a broad bilateral agreement, which the GVN has no interest in pursuing at this time.

¶6. (SBU) On November 2, 2006, MFA's Americas Department Deputy Director Le Chi Dung indicated to ESTHOff that MFA and MOST are now on the same page, that an approval letter from the Office of the Prime Minister may come as soon as early next week and that "it is almost a done deal." Mr. Dung was aware that the topic would be

discussed in a meeting between Ambassador Marine and Office of the Government Vice Chairman Nguyen Xuan Phuc (septel).

COMMENT

¶7. (SBU) While Post awaits a written response from MFA to ADA Bieniawski's letter, the strong, positive language expressed by MFA senior officials signals a possible breakthrough on the issue and renewed hope that the GVN will deliver on Dalat prior to the President's visit. MFA is aware that few days remain to deliver on several major issues, which include the Dalat conversion, and it remains to be seen whether inherent bureaucratic processes can be overcome given that the GVN's top leadership thoroughly consumed with preparations for Hanoi's upcoming APEC leaders' summit.

MARINE